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**U.S. House of Representatives Committee on Homeland Security
Subcommittee on Transportation Security and Infrastructure Protection**

On

**“The Next Step in Aviation Security – Cargo Security: Is DHS Implementing the
Requirements of the 9/11 Law Effectively?”**

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INTRODUCTION

Chairman Jackson-Lee, Ranking Member Lungren and members of the committee, thank you for the opportunity to appear before the House Committee on Homeland Security to discuss the development, implementation and challenges the forwarding industry faces in complying with the air cargo screening mandates of the 9/11 law. I ask that my full statement be entered into the record.

Today, I want to discuss one of the tools developed by TSA to ensure all cargo is screened by August of 2010 – the Certified Cargo Screener Program, or CCSP. As the executive director of the Airforwarders Association, I assure you that the forwarding industry is committed to safety and looks forward to continued dialogue with this committee and TSA to ensure this program is implemented in a timely fashion and provides a maximum degree of security with a minimum amount of supply chain disruption.

The Airforwarders Association strongly supports The Certified Cargo Screener Program. The task of screening all the cargo that boards passenger planes is an immense challenge, and spreading security responsibilities throughout the supply chain is an effective way of engaging all industry to achieve safety for the traveling public. That said, the cost of participating in this unfunded, voluntary program for forwarders is cost-prohibitive for nearly half of the forwarding industry based on our best approximation. With equipment costs that range from \$150,000 to \$500,000 per facility, we anticipate seeing more members opting not to participate in the program due to cost or business models that do not utilize facilities at gateway cities. If this happens it will put enormous pressure on the airlines and airports to screen potentially as much as 40 percent of the cargo put on passenger planes in the US. Not only does this create a bottleneck that is extremely detrimental to our economy and ability to export goods, it also risks a new security concern due to the sheer amount of cargo awaiting inspection in airport cargo facilities.

I urge Congress to provide funding for CCSP, particularly for the benefit of small to mid-sized forwarders, in future appropriations bills. Additionally, I urge TSA to fulfill its commitment to the current participants in the pilot program by completing the list of approved technology and the other critical needs of the program in a timely fashion.

BACKGROUND

My name is Brandon Fried and I am the executive director of the Airforwarders Association. It is a pleasure to address this distinguished panel today on the important issue of air cargo security.

I was appointed to serve as the Executive Director of the Airforwarders Association in November 2005 and have over 25 years as a forwarder myself. In my position as Executive Director, I represent the Association on all security matters and currently serve on the Aviation Security Advisory Committee (ASAC) working group in counsel to the Transportation Security Administration.

The Airforwarders Association is an alliance of Indirect Air Carriers, Cargo Airlines, and affiliated businesses located throughout the United States that play a vital role in ensuring the continuous movement of global commerce. There are over 4,000 registered indirect air carriers who are responsible for the planning, oversight and transporting of companies' goods and products - anything from flowers and seafood to pallets of humanitarian supplies. The parameters of this job include steps such as pick up of goods, customs clearance, transportation, warehousing, regulatory compliance and delivery, we work from one end of the supply chain to the other.

DISCUSSION

Many of you on the panel today may ask, "Who uses airfreight that flies on passenger planes?" The answer is "all of us do!" In addition to medical companies and hospitals shipping urgently needed heart valves, blood samples and human organs across the country within hours, those firms depending upon "just in time" inventory strategies do as well. These include companies such as Hewlett Packard, Boeing, General Electric, 3M and IBM.

Products such as automobile assembly line parts, high tech electronics, pharmaceuticals and vital consumer goods are transported in the cargo holds of passenger planes on virtually every flight. During the cold winter, our families enjoy fresh vegetables flown from the warm west coast and South America on passenger flights. As we speak, thousands of pounds of seafood are in flight to be served tonight in restaurants in places like Albuquerque, Minneapolis, Omaha and St. Louis. In some cases our members help save lives by assisting medical companies and hospitals ship urgently needed heart valves, blood samples and human organs across the country to waiting doctors and patients.

Because air cargo is critical to so many segments of the American economy, we believe in formulating solutions that provide for both the physical security of the public as well as the economic security of our nation. The Airforwarders Association has been and remains a vocal advocate for continuing the risk-based, multi-layered approach to air cargo security that has protected our nation's planes and protected our nation's economy as it enables the critical and efficient flow of commerce. I applaud the committee for its work in crafting the 'Implementing the 9/11 Commission Recommendation Act of 2007' to focus on screening air cargo through a variety of methods. There is no one solution to air cargo security and a variety of tools, as approved in the legislation and certified by TSA, is absolutely critical to handle the variance in size, type, and contents of cargo moving daily throughout our nation and around the globe.

Certified Cargo Screener Program (CCSP): An Introduction

As such, the Airforwarders Association is supportive of a voluntary program, like the Certified Cargo Screening Program (CCSP), which spreads security throughout the supply chain. The Program is a key part of the risk-based, multi-layered approach to air cargo security this association has always endorsed. It balances the need for increased security while also meeting the needs of the shipping public. The Airforwarders Association, along with other key stakeholders have been working closely with TSA to identify possible participants, potential pitfalls and problems with the parameters of the program, and technology available to meet the screening needs of the supply chain process.

The 9/11 Bill specifically recognized programs such as this, as well as other non-intrusive measures approved by TSA, as an important part of the screening mandate. These provisions are critical to meet the mandate as established by Congress to reach 100 percent screening by August 2010. Engaging the supply chain while utilizing technology like tamper-proof seals to ensure the integrity of the cargo is an excellent way to achieve full screening of cargo that does not place the entire financial burden on one entity or part of the supply chain.

Certified Cargo Screener Program (CCSP): Challenge of an Unfunded Mandate

However, if there is not ample participation further down the supply chain by shippers and forwarders alike at certified screening facilities, we face a very real threat to both economic and airport security. Airports do not have the real estate to screen all cargo, or even 50 percent of the total tonnage, moving on passenger planes with existing resources and airlines do not have the financial or human resources to efficiently expedite screening all "just in time" cargo at the airport. In our conversations with the Airports Council International (ACI), airport managers are very concerned about the ability of existing facilities to meet such a high level of cargo demand. If screening occurs at the airport, with no additional funds for airlines or airports, and without funding to encourage additional forwarders to participate in CCSP, the massive influx of cargo that must be screened at the airport is likely to create bottlenecks and delays in the supply chain. This will have a devastating effect on delicate cargo like medical supplies or perishable foods.

We are extremely concerned about the lack of government funding for the 100 percent screening mandate. Forwarders participating in CCSP must purchase technology for which the cost may range from \$150,000 to \$500,000 per facility – a price tag that cannot be met by most small and medium size forwarders. As a result, they will face delays at the airport for cargo screening, causing them to miss flights and lose revenue. This lost revenue, in the current economic environment with high fuel surcharges and razor thin profit margins, could force forwarders out of business. This consolidation of the market is bad for forwarders, manufacturers and the American consumer.

The variance in size among the forwarding community is part of what makes this vital industry continue to thrive. Forwarders develop specific business models based on the type of cargo niche they carve out for their business needs, be it several small offices to handle trade show and convention material movement, or many large facilities at gateway cities to handle tons of flowers imported from Latin America or American manufactured goods being exported to our trading partners. Just as a wide variety of goods are shipped via airfreight, there are, and should remain, a wide variety of forwarders in the industry to compete for that business.

A survey of our membership and our alliance partner, the National Customs Brokers and Forwarders Association of America, who will testify in a moment, has shown that that our concerns are well founded. More than half of the members surveyed would qualify as ‘small to mid-sized’, as they have no more than 5 permanent offices that accept cargo for passenger planes. Of the 60 percent of surveyed members that are ‘small to mid-sized’, without additional funds, nearly 100 percent would not choose to participate as a CCSF. The remaining members surveyed indicated that only a few offices would be outfitted with equipment to participate as a CCSF.

While CCSP is a voluntary program, the competitive advantage it gives to companies that have the financial ability to purchase screening equipment makes it a very costly to “opt out” for other companies. Not only do non-participants lose the ability to ensure their cargo moves as quickly as their competitors, but they also will have to expend substantial funds to pay for screening. Smaller businesses in our industry provide professional, well-paying jobs with health and retirement savings benefits to thousands of hard-working Americans – if the market is altered in such a way that the “haves” are the only companies that can guarantee efficient shipping, the “have not’s” may quickly become so financially disadvantaged they will be forced out of business.

Certified Cargo Screener Program (CCSP): The Funding Solutions

We believe the best way to ensure the market stays competitive for all players is to provide funding for all forwarders to be able to participate in CCSP if they so choose. Based on our membership, I expect that to include a number of forwarders who would participate at one to two of their facilities. That said, while we believe it is in the best interest to establish substantial screening responsibilities throughout the supply chain, there are a number of business models that simply do not permit forwarders to screen at any point prior to the airport. It is imperative that the screening at the airport conducted

by the airlines and is done in an efficient and expedient manner. We also believe that funding should be available to the airlines to achieve that goal.

Secondary and tertiary airports that serve many residents in districts of Members of this Subcommittee are already suffering from cutbacks in airline service. Without the revenue and profit generated by cargo at these airports due to the high cost associated with airline screening of cargo in say, Eugene, Oregon or even Jackson, Mississippi, carriers may cease accepting cargo at those airports and further jeopardize airline service for those cities.

We urge Congress to provide funding to ensure the jobs of hundreds of thousands of employees in the airfreight industry are not lost and the American economy does not face serious harm due to delays in goods and products being delivered. The Airforwarders Association supports small business grants to fund CCSP as well as additional funding or reallocation of TSA's budget to provide funding for equipment and personnel devoted to cargo screening. We are also eagerly awaiting the demonstration of the newly proposed Independent Screening Facility pilot program or "carwash", where third-parties will have an off-site, stand alone facility dedicated to screening cargo for a fee. We believe this is another tool that will alleviate bottlenecks at the airport.

Certified Cargo Screener Program (CCSP): Progression of the Pilot Program

Now, I would like to move to a discussion of the current status of the CCSP pilot program. The Airforwarders Association has several members participating in the CCSP pilot program launched by TSA. We have attached a statement for the record from one such member. These companies are currently facing a degree of uncertainty in terms of moving forward with the program. That said, we applaud TSA for working with industry closely to create a model program that will actually work in the forwarding environment, which is critical to a successful pilot and full-scale deployment.

While an initial list of technology approved by TSA has been made available, purchasing equipment has been delayed due to the lack of final approval. Also, there is concern that the amount of reimbursement funding promised to the participants continues to change as does when that funding will be available to participants. It is imperative that the pilot program is successful in order to continue the expansion of the program, and to that end, other forwarders will listen carefully to the experiences of participants.

With regard to technology, we remain concerned that much of the technology listed as acceptable is geared towards passenger baggage applications with little, if any, approved to screen built pallets and consolidations. Since the mandate dictates screening at the piece level, packing and unpacking pallets not only slows the supply chain, but creates new risks in terms of tampering or theft. Forwarders move pallets that can contain up to 300 different packages – without a machine certified to move these pallets quickly to utilize in the pilot program, the results of throughput times are likely to be much higher than the speed of a pallet screening device.

Also, there is no mechanism in place that protects forwarders investments in currently approved screening technology if that equipment is later found to be unsatisfactory or phased out by TSA. Given the cost involved in the initial purchase, many of our members have cited this uncertainty as an impediment to participation. While the SAFETY Act may provide some degree of protection, we urge TSA to work with forwarders to ease concerns over this particular issue.

The good news from our members is that progress is being made on a daily basis by TSA. Initial facility audits have begun as have initial certification inspections by TSA at some member's facilities. Forwarders are submitting security plans and technology preferences to TSA and there is a great deal of dialogue with the participants "on the ground". Smaller participants in the pilot program believe they will be able to meet screening goals by the fall of 2008. The Airforwarders Association will continue to provide regular updates on progress to this committee at your request.

In conclusion, we believe that a great deal of progress has been made by TSA in meeting the mandate to screen 100 percent of passenger plane cargo. The deployment of the CCSP pilot program is advancing on a daily basis and through the efforts of airlines such as Southwest, freight forwarders and many shippers, I believe that our goal of creating a secure, safe and efficient air cargo security regime can be achieved, provided Congress fulfills its commitment to homeland security by fully funding these programs.

Thank you for hearing my testimony today on this important issue and I look forward to answering any questions you may have.